

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Boardman Township	County Kalkaska
Fiscal Year End 6-30-06	Opinion Date 2-22-07	Date Audit Report Submitted to State March 23, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Authorizing CPA Signature 		Printed Name Scott A. Hunter, C.P.A.	License Number 1101009890

BOARDMAN TOWNSHIP, KALKASKA COUNTY

SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2006

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2006

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BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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February 22, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boardman Township, Kalkaska County, South Boardman, Michigan's basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

Boardman Township, a general law township located in Kalkaska County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Boardman Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2006, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$722,561. Of this amount, \$240,631 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$464,881 an increase of \$13,202 in comparison with the prior year. About 51.79% is available for spending at the Township's discretion.
- ◆ The Township borrowed \$80,000 to assist in purchasing a parcel of land. The balance remaining as of June 30, 2006, is \$78,233.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Township's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Township does not have any business-type activities.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$722,561 at June 30, 2006, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous year.

Boardman Township
Net Assets as of June 30,

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets	\$ 468,778	\$ 456,223
Non Current Assets		
Capital Assets	\$ 578,248	\$ 410,656
Less: Accumulated Depreciation	(225,456)	(189,856)
Total Non Current Assets	\$ 352,792	\$ 220,800
Total Assets	<u>\$ 821,570</u>	<u>\$ 677,023</u>
Liabilities		
Current Liabilities	\$ 27,192	\$ 20,955
Long-term Liabilities	71,817	16,752
Total Liabilities	\$ 99,009	\$ 37,707
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 257,807	\$ 187,882
Restricted for Specific Purposes	224,123	139,895
Unrestricted	240,631	311,539
Total Net Assets	<u>\$ 722,561</u>	<u>\$ 639,316</u>
Total Liabilities and Net Assets	<u>\$ 821,570</u>	<u>\$ 677,023</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$162,398 of unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

BOARDMAN TOWNSHIP, KALKASKA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$83,245 or 13.02% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Boardman Township
Change in Net Assets
for the Fiscal Year Ended June 30,**

	<u>2006</u>		<u>2005</u>
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 18,637	\$	23,553
Operating Grants	3,137		3,083
General Revenues			
Property Taxes	131,969		122,272
State Grants	119,077		106,114
Investment Earnings	14,144		5,296
Gain on Sale of Capital Assets	0		2,351
Other	3,361		3,472
Total Revenues	\$ 290,325	\$	266,141
<u>Expenses</u>			
Legislative	\$ 13,970	\$	15,416
General Government	78,421		68,046
Public Safety	85,446		91,299
Public Works	9,365		7,078
Health and Welfare	280		264
Community and Economic Development	2,718		0
Recreation and Culture	15,024		8,301
Interest on Long-Term Debt	1,856		523
Total Expenses	\$ 207,080	\$	190,927
Changes in Net Assets	\$ 83,245	\$	75,214
NET ASSETS – Beginning of Year	639,316		564,102
NET ASSETS – End of Year	<u><u>\$ 722,561</u></u>	<u><u>\$</u></u>	<u><u>639,316</u></u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

Governmental Activities

During the fiscal year ended June 30, 2006, the Township's net assts increased by \$83,245 or 13.02% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Boardman Township comes from property taxes. The Township levied millages for road improvement and fire protection, in addition to the operating millage. The Township levied 0.8886 mills for operating purposes, 1.8729 mills for road improvement, and 0.9364 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2006, the amount of state shared revenue received by the Township trended upward, representing increasing sales tax collections and discretionary increases by the State in revenue sharing payments.

The Township spent \$85,446 in fiscal year 2006 on public safety expenses which represents 41.26% of total expenses. General government represented the next largest expense at \$78,421 followed by recreation and culture at \$15,024, these represent 37.87% and 7.26% respectively.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Boardman Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Boardman Township's governmental funds reported combined ending fund balances of \$464,881. Approximately 51.79% of this total amount (\$240,758) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

General Fund – The General Fund's fund balance decreased by (\$10,913) which brings the fund balance to \$243,954. Of the fund balance, \$240,758 is unreserved. Property tax revenues increased by \$2,690 and state shared revenues increased by \$12,963 from the prior year.

Fire Fund – The Fire Fund's fund balance increased by \$26,012 which brings the fund balance to \$29,085. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2005 tax roll. This resulted in \$28,475 in tax related revenues during the current fiscal year. The Township also contracts with Orange Township for fire protection. This generated \$8,670 in revenues for Boardman Township.

Road Improvement Fund – The Road Improvement Fund decreased its fund balance by (\$1,897) which brings the fund balance to \$191,842. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2005 tax roll. Tax related revenues totaled \$56,959 for the current fiscal year. The Township has completed the work on Hart Road at a total cost of approximately \$64,051.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2006 amounted to \$352,792 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current year was 37.21%.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

BOARDMAN TOWNSHIP, KALKASKA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006

Boardman Township
Capital Assets as of June 30,

		<u>2006</u>		<u>2005</u>
Land and Land Improvements	\$	154,013	\$	54,013
Buildings		13,978		13,978
Machinery and Equipment		346,206		342,665
Infrastructure		64,051		0
	\$	578,248	\$	410,656
Less Accumulated Depreciation		(225,456)		(189,856)
Net Capital Assets	\$	<u>352,792</u>	\$	<u>220,800</u>

Major capital asset additions during the current fiscal year included the following:

- ◆ A laptop computer was purchased for the assessor at a cost of \$808.
- ◆ Tax receipting software was purchased for the treasurer at a cost of \$1,435.
- ◆ A laptop computer was purchased for the treasurer at a cost of \$1,298.
- ◆ A parcel of land was purchased at a cost of \$100,000.
- ◆ Construction was completed on Hart Road at a cost of \$64,051.

Long-Term Debt. At the end of the fiscal year, the Township had total installment debt outstanding of \$94,985. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Boardman Township at 4855 Pine Street SW, South Boardman, Michigan 49680.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 322,410
Investments	128,512
Receivables	
External Parties (Fiduciary Funds)	2,951
Due from Other Governments	14,905
	<hr/>
Total Current Assets	\$ 468,778
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 154,013
Buildings	13,978
Machinery and Equipment	346,206
Infrastructure	64,051
	<hr/>
	\$ 578,248
Less Accumulated Depreciation	(225,456)
Net Capital Assets	\$ 352,792
	<hr/>
TOTAL ASSETS	\$ 821,570
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 2,907
Accrued Expenditures	990
Accrued Interest	127
Current Portion of Long-Term Debt	23,168
	<hr/>
Total Current Liabilities	\$ 27,192
	<hr/>
<u>LONG-TERM LIABILITIES</u>	
Note Payable - Equipment	\$ 16,752
Note Payable - Land	78,233
Less: Current Portion	(23,168)
	<hr/>
Total Long-Term Liabilities	\$ 71,817
	<hr/>
TOTAL LIABILITIES	\$ 99,009
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 257,807
Restricted for Fire Protection	29,085
Restricted for Road Improvements	191,842
Restricted for Right-of-Way Maintenance	3,196
Unrestricted	240,631
	<hr/>
Total Net Assets	\$ 722,561
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 821,570
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The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 13,970	\$ 0	\$ 0	\$ (13,970)
General Government	78,421	4,887	0	(73,534)
Public Safety	85,446	13,750	0	(71,696)
Public Works	9,365	0	3,137	(6,228)
Health and Welfare	280	0	0	(280)
Community and Economic Development	2,718	0	0	(2,718)
Recreation and Culture	15,024	0	0	(15,024)
Interest on Long-Term Debt	1,856	0	0	(1,856)
Total	<u>\$ 207,080</u>	<u>\$ 18,637</u>	<u>\$ 3,137</u>	<u>\$ (185,306)</u>
<u>GENERAL REVENUES</u>				
Property Taxes				\$ 131,969
State Grants				119,077
Investment Earnings				14,144
Other				3,361
Total General Revenues				<u>\$ 268,551</u>
Change in Net Assets				\$ 83,245
<u>NET ASSETS</u> - Beginning of Year				<u>639,316</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 722,561</u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2006

	GENERAL FUND	FIRE FUND	ROAD FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 100,103	\$ 30,465	\$ 191,842	\$ 322,410
Investments	128,512	0	0	128,512
Due from Other Funds	3,958	68	0	4,026
Due from Other Governments	14,905	0	0	14,905
TOTAL ASSETS	<u>\$ 247,478</u>	<u>\$ 30,533</u>	<u>\$ 191,842</u>	<u>\$ 469,853</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,534	\$ 373	\$ 0	\$ 2,907
Accrued Expenditures	990	0	0	990
Due to Other Funds	0	1,075	0	1,075
Total Liabilities	<u>\$ 3,524</u>	<u>\$ 1,448</u>	<u>\$ 0</u>	<u>\$ 4,972</u>
<u>FUND BALANCE</u>				
Reserved for:				
Fire Protection	\$ 0	\$ 29,085	\$ 0	\$ 29,085
Road Improvements	0	0	191,842	191,842
Right-of-Way Maintenance	3,196	0	0	3,196
Unreserved				
Undesignated	240,758	0	0	240,758
Total Fund Balance	<u>\$ 243,954</u>	<u>\$ 29,085</u>	<u>\$ 191,842</u>	<u>\$ 464,881</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 247,478</u>	<u>\$ 30,533</u>	<u>\$ 191,842</u>	<u>\$ 469,853</u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances for Governmental Funds	\$ 464,881
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 145,013	
Land Improvements	9,000	
Buildings	13,978	
Machinery and Equipment	346,206	
Infrastructure	64,051	
Accumulated Depreciation	<u>(225,456)</u>	352,792

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds:

Notes Payable	(94,985)	
Accrued Interest Payable	<u>(127)</u>	(95,112)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 722,561</u>
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The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 44,844	\$ 29,197	\$ 57,928	\$ 131,969
Licenses and Permits	3,516	0	0	3,516
State Grants	122,214	0	0	122,214
Contributions from Local Units	0	8,670	0	8,670
Charges for Services	6,451	0	0	6,451
Interest and Rents	9,543	280	4,321	14,144
Other Revenues	135	3,226	0	3,361
Total Revenues	\$ 186,703	\$ 41,373	\$ 62,249	\$ 290,325
<u>EXPENDITURES</u>				
Legislative	\$ 13,970	\$ 0	\$ 0	\$ 13,970
General Government	77,381	0	0	77,381
Public Safety	19,725	38,843	0	58,568
Public Works	6,652	0	64,146	70,798
Health and Welfare	280	0	0	280
Community and Economic Development	2,718	0	0	2,718
Recreation and Culture	113,501	0	0	113,501
Debt Service	2,546	17,361	0	19,907
Total Expenditures	\$ 236,773	\$ 56,204	\$ 64,146	\$ 357,123
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,070)	\$ (14,831)	\$ (1,897)	\$ (66,798)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 0	\$ 40,843	\$ 0	\$ 40,843
Transfers Out	(40,843)	0	0	(40,843)
Loan Proceeds	80,000	0	0	80,000
Total Other Financing Sources (Uses)	\$ 39,157	\$ 40,843	\$ 0	\$ 80,000
Net Change in Fund Balance	\$ (10,913)	\$ 26,012	\$ (1,897)	\$ 13,202
<u>FUND BALANCE</u> - Beginning of Year	254,867	3,073	193,739	451,679
<u>FUND BALANCE</u> - End of Year	\$ 243,954	\$ 29,085	\$ 191,842	\$ 464,881

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 13,202
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(35,600)
Capital Outlay	167,592
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued Interest Payable - Beginning of Year	245
Accrued Interest Payable - End of Year	(127)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	17,933
Loan proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets.	<u>(80,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 83,245</u></u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 3,737
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 2,951
Due to Other Governments	786
	<hr/>
TOTAL LIABILITIES	\$ 3,737
	<hr/>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boardman Township is a general law township located in Kalkaska County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Boardman Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally Boardman Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

- (I) The Township Board has authorized the Township Treasurer to invest in the following:
- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Boardman Township Board at the Board's organizational meeting after each regular election of board members.
 - (c) Repurchase agreements consisting of instruments listed in subdivision (a).
 - (d) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Boardman Township totaled \$30,409,014, on which ad valorem taxes levied consisted of 0.8886 mills for Boardman Township operating purposes, 1.8729 mills for Boardman Township road improvements, and 0.9364 mills for Boardman Township fire protection. These levies raised approximately \$27,021 for operating purposes, \$56,959 for road improvements, and \$28,475 for fire protection.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Equipment	5-10

Boardman Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on May 4, 2005, or as amended by the Township Board from time to time throughout the year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Recreation and Culture	\$ 15,500	\$ 113,501
Debt Service	0	2,546
Other Financing Uses	0	40,843
Fire Fund	45,000	56,204

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$92,887 of the government's bank balance of \$328,064 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were considered Category 1 as to risk.

As of June 30, 2006 the Township had the following investments:

	CARRYING AMOUNT	FAIR VALUE
Investments - Primary Government		
U.S. Government Securities	\$ 128,512	\$ 128,512

A reconciliation of cash and investments follows:

Carrying amount of Deposits	\$ 326,147
Carrying amount of Investments	128,512
Total	\$ 454,659
Government-wide Statement of Net Assets	
Cash	\$ 322,410
Investments	128,512
Statement of Fiduciary Net Assets	
Cash	3,737
Total	\$ 454,659

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in aggregate, are as follows:

	<u>General</u>		<u>Fire</u>		<u>Road</u>		<u>Total</u>
Receivables							
Agency Funds	\$ 2,883	\$	68	\$	0	\$	<u>2,951</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the fiscal year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 45,013	\$ 100,000	\$ 0	\$ 145,013
Capital assets, being depreciated				
Buildings	\$ 13,978	\$ 0	\$ 0	\$ 13,978
Land Improvements	9,000	0	0	9,000
Machinery and equipment	342,665	3,541	0	346,206
Infrastructure	0	64,051	0	64,051
Total capital assets, being depreciated	\$ 365,643	\$ 67,592	\$ 0	\$ 433,235
Less accumulated depreciation for:				
Buildings	\$ 6,889	\$ 399	\$ 0	\$ 7,288
Land Improvements	3,300	600	0	3,900
Machinery and equipment	179,667	31,983	0	211,650
Infrastructure	0	2,618	0	2,618
Total accumulated depreciation	\$ 189,856	\$ 35,600	\$ 0	\$ 225,456
Total capital assets, being depreciated, net	\$ 175,787	\$ 31,992	\$ 0	\$ 207,779
Governmental activities capital assets, net	\$ 220,800	\$ 131,992	\$ 0	\$ 352,792

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 4,581
Public Safety	26,878
Public Works	2,618
Culture and Recreation	1,523
Total depreciation expense – governmental activities	\$ 35,600

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,958	\$ 0
Special Revenue Funds		
Fire	68	1,075
Fiduciary Funds		
Current Tax Collection	0	2,883
Trust and Agency	0	68
	<u>\$ 4,026</u>	<u>\$ 4,026</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be resolved within one year.

Interfund transfers as of June 30, 2006, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 40,843
Fire Fund	40,843	0
	<u>\$ 40,843</u>	<u>\$ 40,843</u>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

E. Long-Term Debt

The following is a summary of the long-term debt transactions of Boardman Township for the year ended June 30, 2006:

	<u>NOTES PAYABLE</u>
Long –Term Debt Payable	
At July 1, 2005	\$ 32,918
New Debt Incurred	80,000
Payments on Debt	<u>(17,933)</u>
LONG-TERM DEBT PAYABLE	
AT JUNE 30, 2006	\$ <u>94,985</u>
Due within one year	\$ <u>23,168</u>

Notes Payable:

\$80,000 note payable due in monthly installments of \$849 through February 10, 2016; interest at 5%, secured by land	\$ 78,233
\$50,000 note payable due in annual installments of \$17,361 through April 15, 2007; interest at 3.58%, secured by equipment	<u>16,752</u>
Total	\$ <u>94,985</u>

The annual requirements to amortize debt outstanding as of June 30, 2006, are as follows:

Year Ending	Principal	Interest	Total
June 30, 2007	\$ 23,168	\$ 4,374	\$ 27,542
June 30, 2008	6,745	3,438	10,183
June 30, 2009	7,090	3,093	10,183
June 30, 2010	7,452	2,730	10,182
June 30, 2011	7,834	2,349	10,183
June 30, 2012 - 2016	42,696	5,318	48,014
Total	\$ <u>94,985</u>	\$ <u>21,302</u>	\$ <u>116,287</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The Township is currently not liable for any special assessment debt obligation.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Reserved

General Fund

Right-of-Way Maintenance	\$	3,196
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Special Revenue Funds

Fire Fund

Fire Protection	\$	29,085
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Road Fund

Road Improvements	191,842	220,927
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TOTAL FUND BALANCE RESERVES	\$	<u>224,123</u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND			FIRE FUND			ROAD IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 48,011	\$ 48,011	\$ 44,844	\$ 30,378	\$ 30,378	\$ 29,197	\$ 60,756	\$ 60,756	\$ 57,928
Licenses and Permits	1,000	1,000	3,516	0	0	0	0	0	0
State Grants	115,071	115,071	122,214	0	0	0	0	0	0
Contributions from Local Units	0	0	0	7,200	7,200	8,670	0	0	0
Charges for Services	5,000	5,000	6,451	0	0	0	0	0	0
Interest and Rents	1,000	1,000	9,543	0	0	280	0	0	4,321
Other Revenues	6,000	6,000	135	0	0	3,226	0	0	0
Total Revenues	\$ 176,082	\$ 176,082	\$ 186,703	\$ 37,578	\$ 37,578	\$ 41,373	\$ 60,756	\$ 60,756	\$ 62,249
<u>EXPENDITURES</u>									
Legislative	\$ 28,500	\$ 28,500	\$ 13,970	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	83,000	83,000	77,381	0	0	0	0	0	0
Public Safety	19,725	19,725	19,725	45,000	45,000	38,843	0	0	0
Public Works	8,500	8,500	6,652	0	0	0	125,000	125,000	64,146
Health and Welfare	280	280	280	0	0	0	0	0	0
Community and Economic Development	4,000	4,000	2,718	0	0	0	0	0	0
Recreation and Culture	15,500	15,500	113,501	0	0	0	0	0	0
Debt Service	0	0	2,546	0	0	17,361	0	0	0
Other Functions	0	0	0	0	0	0	0	0	0
Contingency	15,000	15,000	0	0	0	0	0	0	0
Total Expenditures	\$ 174,505	\$ 174,505	\$ 236,773	\$ 45,000	\$ 45,000	\$ 56,204	\$ 125,000	\$ 125,000	\$ 64,146
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,577	\$ 1,577	\$ (50,070)	\$ (7,422)	\$ (7,422)	\$ (14,831)	\$ (64,244)	\$ (64,244)	\$ (1,897)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,843	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	(40,843)	0	0	0	0	0	0
Loan Proceeds	0	0	80,000	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 39,157	\$ 0	\$ 0	\$ 40,843	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 1,577	\$ 1,577	\$ (10,913)	\$ (7,422)	\$ (7,422)	\$ 26,012	\$ (64,244)	\$ (64,244)	\$ (1,897)
<u>FUND BALANCE</u> - Beginning of Year	0	0	254,867	22,982	22,982	3,073	56,002	56,002	193,739
<u>FUND BALANCE</u> - End of Year	\$ 1,577	\$ 1,577	\$ 243,954	\$ 15,560	\$ 15,560	\$ 29,085	\$ (8,242)	\$ (8,242)	\$ 191,842

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 100,103	\$ 130,965
Investments	128,512	123,795
Taxes Receivable	0	9
Due from Other Funds	3,958	1,075
Due from Other Governments	14,905	3,083
	<u>14,905</u>	<u>3,083</u>
TOTAL ASSETS	<u>\$ 247,478</u>	<u>\$ 258,927</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,534	\$ 2,924
Accrued Expenditures	990	942
Due to Other Funds	0	194
	<u>0</u>	<u>194</u>
Total Liabilities	<u>\$ 3,524</u>	<u>\$ 4,060</u>
<u>FUND BALANCE</u>		
Reserved for Right-of-Way Maintenance	\$ 3,196	\$ 3,083
Unreserved	240,758	251,784
	<u>240,758</u>	<u>251,784</u>
Total Fund Balance	<u>\$ 243,954</u>	<u>\$ 254,867</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 247,478</u>	<u>\$ 258,927</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 48,011	\$ 44,844	\$ 42,154
Licenses and Permits	1,000	3,516	8,482
State Grants	115,071	122,214	109,197
Charges for Services	5,000	6,451	6,867
Interest and Rents	1,000	9,543	4,452
Other Revenues	6,000	135	2,685
Total Revenues	\$ 176,082	\$ 186,703	\$ 173,837
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 28,500	\$ 13,970	\$ 15,416
General Government			
Supervisor	10,500	10,791	8,469
Election	2,500	1,516	3,707
Assessor	12,000	11,732	11,932
Legal Fees	3,000	5,012	1,215
Clerk	16,000	14,864	13,792
Board of Review	1,500	1,383	1,432
Treasurer	15,500	17,657	14,231
Building and Grounds	10,000	8,030	3,701
Cemetery	12,000	6,396	7,549
Public Safety	19,725	19,725	23,798
Public Works	8,500	6,652	7,078
Health and Welfare	280	280	264
Recreation and Culture	15,500	113,501	9,159
Community and Economic Development	4,000	2,718	0
Debt Service	0	2,546	0
Contingency	15,000	0	0
Total Expenditures	\$ 174,505	\$ 236,773	\$ 121,743
Excess of Revenues Over (Under) Expenditures	\$ 1,577	\$ (50,070)	\$ 52,094

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	\$ 0	\$ (40,843)	\$ (57,138)
Loan Proceeds	0	80,000	0
Total Other Financing Sources (Uses)	\$ 0	\$ 39,157	\$ (57,138)
Net Change in Fund Balance	\$ 1,577	\$ (10,913)	\$ (5,044)
<u>FUND BALANCE</u> - Beginning of Year	0	254,867	259,911
<u>FUND BALANCE</u> - End of Year	\$ 1,577	\$ 243,954	\$ 254,867

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 30,465	\$ 4,554
Taxes Receivable	0	10
Due from Other Funds	<u>68</u>	<u>68</u>
Total Assets	<u><u>\$ 30,533</u></u>	<u><u>\$ 4,632</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 373	\$ 484
Due to Other Funds	<u>1,075</u>	<u>1,075</u>
Total Liabilities	\$ 1,448	\$ 1,559
<u>FUND BALANCE</u>		
Reserved for Fire Protection	<u>29,085</u>	<u>3,073</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 30,533</u></u>	<u><u>\$ 4,632</u></u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 30,378	\$ 29,197	\$ 26,950
Contributions from Local Units			
Orange Township	7,200	8,670	8,204
Interest and Rents			
Interest	0	280	132
Other			
Sale of Capital Assets	0	0	2,351
Refunds and Reimbursements	0	3,226	644
Total Revenues	\$ 37,578	\$ 41,373	\$ 38,281
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Personal Services			
Salaries and Wages	\$ 45,000	\$ 15,700	\$ 15,430
Employee Benefits	0	1,201	1,142
Supplies			
Operating Supplies	0	729	1,072
Fuel	0	1,333	1,403
Other Services and Charges			
Repair and Maintenance	0	1,397	8,997
Public Utilities	0	4,315	3,604
Insurance	0	13,495	14,107
Travel and Education	0	440	345
Dues and Subscriptions	0	100	108
Bank Fees	0	133	96
Miscellaneous	0	0	22
Capital Outlay	0	0	99,374

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Debt Service			
Principal	0	16,166	17,082
Interest	0	1,195	278
Total Expenditures	<u>\$ 45,000</u>	<u>\$ 56,204</u>	<u>\$ 163,060</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>\$ (7,422)</u>	<u>\$ (14,831)</u>	<u>\$ (124,779)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 0	\$ 40,843	\$ 62,196
Loan Proceeds	0	0	50,000
Total Other Financing Sources and Uses	<u>\$ 0</u>	<u>\$ 40,843</u>	<u>\$ 112,196</u>
Net Change in Fund Balance	<u>\$ (7,422)</u>	<u>\$ 26,012</u>	<u>\$ (12,583)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>22,982</u>	<u>3,073</u>	<u>15,656</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 15,560</u></u>	<u><u>\$ 29,085</u></u>	<u><u>\$ 3,073</u></u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

ROAD FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 191,842	\$ 133,720
Taxes Receivable	0	19
Prepaid Expenditures	<u>0</u>	<u>60,000</u>
Total Assets	<u>\$ 191,842</u>	<u>\$ 193,739</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expenditures	\$ 0	\$ 60,000
Road Improvements	<u>191,842</u>	<u>133,739</u>
Total Fund Balance	<u>\$ 191,842</u>	<u>\$ 193,739</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 191,842</u>	<u>\$ 193,739</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 60,756	\$ 57,928	\$ 53,945
Interest and Rents			
Interest	0	4,321	706
Other			
Refunds and Reimbursements	0	0	143
Total Revenues	<u>\$ 60,756</u>	<u>\$ 62,249</u>	<u>\$ 54,794</u>
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance	\$ 125,000	\$ 95	\$ 0
Capital Outlay	0	64,051	0
Total Expenditures	<u>\$ 125,000</u>	<u>\$ 64,146</u>	<u>\$ 0</u>
Excess (Deficiency) of			
Revenues Over Expenditures	\$ (64,244)	\$ (1,897)	\$ 54,794
<u>FUND BALANCE</u> - Beginning of Year	<u>56,002</u>	<u>193,739</u>	<u>138,945</u>
<u>FUND BALANCE</u> - (Deficit) End of Year	<u>\$ (8,242)</u>	<u>\$ 191,842</u>	<u>\$ 193,739</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<u>CURRENT TAX COLLECTION FUND</u>				
<u>ASSETS</u>				
Cash	\$ 0	\$ 834,961	\$ 832,078	\$ 2,883
Due from Other Funds	194	0	194	0
Total Assets	<u>\$ 194</u>	<u>\$ 834,961</u>	<u>\$ 832,272</u>	<u>\$ 2,883</u>
<u>LIABILITIES</u>				
Overdraft	\$ 194	\$ 0	\$ 194	\$ 0
Due to Other Organizations and Individuals	0	1,855	1,855	0
Due to Other Governments	0	705,280	705,280	0
Due to Other Funds	0	127,826	124,943	2,883
Total Liabilities	<u>\$ 194</u>	<u>\$ 834,961</u>	<u>\$ 832,272</u>	<u>\$ 2,883</u>
<u>TRUST AND AGENCY</u>				
<u>ASSETS</u>				
Cash	<u>\$ 854</u>	<u>\$ 578</u>	<u>\$ 578</u>	<u>\$ 854</u>
<u>LIABILITIES</u>				
Due to Other Governments	\$ 786	\$ 0	\$ 0	\$ 786
Due to Other Funds	68	0	0	68
Total Liabilities	<u>\$ 854</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 854</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

	BALANCE			BALANCE
	7/1/2005	ADDITIONS	DEDUCTIONS	6/30/2006
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 854	\$ 835,539	\$ 832,656	\$ 3,737
Due from Other Funds	194	0	194	0
Total Assets	<u>\$ 1,048</u>	<u>\$ 835,539</u>	<u>\$ 832,850</u>	<u>\$ 3,737</u>
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 1,855	\$ 1,855	\$ 0
Due to Other Governments	786	705,280	705,280	786
Due to Other Funds	68	127,826	124,943	2,951
Total Liabilities	<u>\$ 854</u>	<u>\$ 834,961</u>	<u>\$ 832,078</u>	<u>\$ 3,737</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
STATEMENT OF 2005 TAX ROLL
JUNE 30, 2006

TAXES ASSESSED

County	\$	211,107	
County - State Education Tax		181,811	
Kalkaska Public Transit		7,436	
Kalkaska Memorial Hospital		51,700	
Township			
Operating		27,021	
Roads		56,959	
Fire Protection		28,475	
Schools			
Forest Area Community Schools		265,341	
Intermediate School			
Traverse Bay Area		90,074	\$ 919,924

TAXES COLLECTED

County	\$	176,875	
County - State Education Tax		161,685	
Kalkaska Public Transit		6,098	
Kalkaska Memorial Hospital		42,393	
Township			
Operating		22,157	
Roads		46,704	
Fire Protection		23,349	
Schools			
Forest Area Community Schools		217,254	
Intermediate School			
Traverse Bay Area		73,789	770,304

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
STATEMENT OF 2005 TAX ROLL
JUNE 30, 2006

TAXES RETURNED DELINQUENT

County	\$	34,232	
County - State Education Tax		20,126	
Kalkaska Public Transit		1,338	
Kalkaska Memorial Hospital		9,307	
Township			
Operating		4,864	
Roads		10,255	
Fire Protection		5,126	
Schools			
Forest Area Community Schools		48,087	
Intermediate School			
Traverse Bay Area		16,285	\$ 149,620

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

February 22, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

During the course of our audit of the financial statements of Boardman Township for the year ended June 30, 2006, we noted the following:

Budgeting

P.A. 621 of 1978 states that the budget document that the Township adopts include the amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated. Amendments should be done prior to year end.

The expenditures for the Debt Service and Recreation and Culture activities in the General Fund exceeded the budgeted amount. The Fire Fund expenditures also exceeded budgeted amounts.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

A complete budget should be adopted for each of the Township's funds with the items listed above.

Reconciliations of Clerk and Treasurer Ledgers

We recommend that the Treasurer and Clerk reconcile their bank account balances with each other on a monthly basis. A complete and accurate bank reconciliation that reconciles from the bank balance to the book balance should be prepared each month for each bank account. This will facilitate a continuous balancing of records and help strengthen internal controls.

Payroll Tax Reporting

When comparing the W-2 statements to the Form 941's for the year, we noted small differences. If left uncorrected, the Township may, in the future, receive an inquiry from the IRS. We are available to assist the Township in making the necessary corrections, if desired. This would also help prevent future errors of the same type.

Credit Card Use Policy

During the course of the audit and previous audits it was noted the Township uses a credit card. Further, it was found that the Township has not adopted a written credit card policy. According to Public Act 266 of 1995, the Township must adopt a written credit card policy to be a party to a credit card arrangement. We recommend the Township adopt a written policy governing the control and use of credit cards.

Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Boardman Township for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the board for its confidence in our firm and to thank the township clerk, treasurer and supervisor for their cooperation.

If you have any questions or need assistance relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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February 22, 2007

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

In planning and performing our audit of the financial statements of Boardman Township, Kalkaska County, South Boardman, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.